

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2**

Annual Component Unit Financial Statements  
With Independent Auditors' Report

and

Report on Internal Control Over Financial Reporting  
and Compliance and Other Matters

For the Years Ended September 30, 2012 and 2011

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 20 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
St Mary Parish  
Water and Sewer Commission No 2  
Bayou Vista, Louisiana

We have audited the accompanying financial statements of the business-type activities and the major fund of St Mary Parish Water and Sewer Commission No 2, a component unit of St Mary Parish, as of and for the years ended September 30, 2012 and 2011, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the St Mary Parish Water and Sewer Commission No 2's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 and 2011 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of St Mary Parish Water and Sewer Commission No 2 as of September 30, 2012 and 2011 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

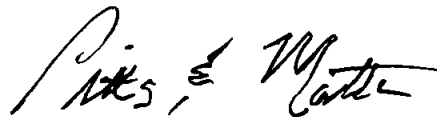
The Commission has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013 on our consideration of St. Mary Parish Water and Sewer Commission No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Mary Parish Water and Sewer Commission No. 2's basic financial statements. The schedules and statistical data listed in the table of contents as Other Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

March 7, 2013



CERTIFIED PUBLIC ACCOUNTANTS

**St. Mary Parish Water and Sewer Commission No. 2**  
**State of Louisiana**

Comparative Statement of Net Assets  
Water and Sewer Enterprise Fund  
September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 437,979	\$ 513,767
Investments	1,262,266	1,346,891
Accounts receivable	156,339	164,805
Inventory	71,660	102,505
Prepaid expenses	13,339	14,005
Total current assets	<u>1,941,583</u>	<u>2,141,973</u>
 <b>RESTRICTED ASSETS ( cash and investments)</b>		
General obligation bond debt service cash	23,665	1,867
General obligation bond debt service investments	15,957	140,850
Customer meter deposits cash	38,093	29,428
Customer meter deposits investments	162,065	161,954
Total restricted assets	<u>239,780</u>	<u>334,099</u>
 <b>NONCURRENT ASSETS</b>		
Property, Plant and Equipment (net of accumulated depreciation)	4,670,516	4,608,721
Prepaid water tower maintenance	-	24,218
Unamortized debt issuance costs,	14,013	14,250
Investment in Berwick-Bayou Vista Joint Waterworks Commission	<u>786,489</u>	<u>540,612</u>
Total noncurrent assets	<u>5,471,018</u>	<u>5,187,801</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 7,652,381</u></u>	 <u><u>\$ 7,663,873</u></u>

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES (payable from current assets)		
Accounts payable and accrued expenses	\$ 19,124	\$ 51,052
Contracts payable	-	144,331
Retainage payable	-	25,399
Due to other governmental units	128,358	130,318
CURRENT LIABILITIES (payable from restricted assets)		
Bonds due within one year	70,000	65,000
Accrued interest on bonds	1,149	5,284
Customer meter deposits	196,550	187,239
Total current liabilities	<u>415,181</u>	<u>608,623</u>
LONG-TERM DEBT		
Bonds due after one year	<u>605,000</u>	<u>895,000</u>
Total liabilities	<u>1,020,181</u>	<u>1,503,623</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,008,380	3,657,687
Restricted for		
Debt service	39,622	142,717
Unrestricted	<u>2,584,198</u>	<u>2,359,846</u>
Total net assets	<u>6,632,200</u>	<u>6,160,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,652,381</u>	<u>\$ 7,663,873</u>

**St Mary Parish Water and Sewer Commission No 2**  
**State of Louisiana**  
Comparative Statement of Revenues, Expenses and Changes in Net Assets  
Water and Sewer Enterprise Fund  
Years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Charges for water service	\$ 440,864	\$ 452,856
Charges for sewer service	415,209	425,742
Delinquent charges	18,557	19,312
Meter installation, reconnects, permits, etc	24,283	18,629
Safe water collection fees	-	530
Garbage collection fees	<u>13,820</u>	<u>19,703</u>
<b>TOTAL OPERATING REVENUES</b>	<u>912,733</u>	<u>936,772</u>
<b>OPERATING EXPENSES</b>		
Direct operating costs		
Cost of water purchases	266,463	282,846
Sewerage treatment fees	240,939	252,143
Repair and maintenance – water system	85,360	101,279
Repair and maintenance – sewerage system	180,199	86,258
Personal services		
Clerical salaries	55,195	55,276
Other salaries	59,546	59,718
Board meetings	14,823	16,021
Retirement contributions	14,771	14,354
Health insurance	29,840	27,688
Operating services		
Insurance	22,543	23,512
Accounting fees	19,075	17,697
Engineering fees	1,200	1,200
Computer consulting	5,616	1,855
Amortize tower maintenance	24,218	39,453
Utilities and telephone	27,585	26,587
Vehicle expense	7,164	7,505
Legal fees	827	332
Materials and supplies		
Office expense	1,362	3,799
Postage	6,807	6,109
Advertising	953	2,016
Miscellaneous	2,638	5,238
Depreciation		
Water System	128,040	124,096
Sewer System	<u>131,826</u>	<u>123,057</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 1,326,990</u>	<u>\$ 1,278,039</u>

	<u>2012</u>	<u>2011</u>
INCOME (LOSS) FROM OPERATIONS	\$ <u>(414,257)</u>	\$ <u>(341,267)</u>
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem taxes		
Operations and maintenance	783,282	590,986
Debt service	120,501	96,207
Interest income	14,294	14,539
Parish Grant	35,000	-
Loss on disposition of fixed assets	(1,200)	-
Amortization of debt issuance costs	(3,887)	(1,296)
Interest expense	<u>(30,865)</u>	<u>(52,420)</u>
TOTAL NON-OPERATING REVENUE	<u>917,125</u>	<u>648,016</u>
INCOME OR (LOSS) BEFORE CONTRIBUTIONS	502,868	306,749
Contributions, intergovernmental		
Berwick-Bayou Vista Joint Water Works	<u>(30,918)</u>	<u>(22,200)</u>
CHANGE IN NET ASSETS	471,950	284,549
NET ASSETS		
NET ASSETS - BEGINNING OF YEAR	<u>6,160,250</u>	<u>5,875,701</u>
NET ASSETS - END OF YEAR	<u>\$ 6,632,200</u>	<u>\$ 6,160,250</u>



**St Mary Parish Water and Sewer Commission No 2**  
**State of Louisiana**  
Comparative Statement of Cash Flows - Water and Sewer Enterprise Fund  
Years Ended September 30, 2012 and 2011

Increase (Decrease) in Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Received from customers	\$ 921,199	\$ 931,595
Paid to suppliers and employees	<u>(1,261,145)</u>	<u>(834,093)</u>
Net cash provided (used) by operating activities	<u>(339,946)</u>	<u>97,502</u>
Cash flows from noncapital financing activities		
Ad valorem taxes	903,783	685,897
Cash from meter deposits	9,311	2,705
Advanced from other government units	(13,360)	6,928
Parish Grant	35,000	-
Payment to Berwick-Bayou Vista Joint Water Works	<u>(221,201)</u>	<u>(22,200)</u>
Net cash provided by noncapital financing activities	<u>713,533</u>	<u>673,330</u>
Cash from capital and related financing activities		
Principal paid on bond	(285,000)	(60,000)
Interest paid on bond	(30,865)	(52,420)
Amortization of debt issuance cost	(3,887)	-
Acquisition and construction of capital assets	<u>(322,861)</u>	<u>(590,630)</u>
Net cash (used) by capital and related activities	<u>(642,613)</u>	<u>(703,050)</u>
Cash flows from investing activities		
Sale (Purchases) of investment securities	209,407	(3,813)
Interest income	<u>14,294</u>	<u>14,539</u>
Net cash provided by investing activities	<u>223,701</u>	<u>10,726</u>
Net increase in cash and cash equivalents	(45,325)	78,508
Cash and cash equivalents at beginning of period	<u>545,062</u>	<u>466,554</u>
Cash and cash equivalents at end of period	<u>\$ 499,737</u>	<u>\$ 545,062</u>

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating income (loss)	\$ (414,257)	\$ (341,267)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	259,866	247,153
Amortization	24,455	40,749
(Increase) decrease in accounts receivable	8,466	(5,177)
(Increase) decrease in inventory	30,845	(11,261)
Increase (decrease) in payable and accrued expenses	(205,793)	205,296
(Increase) decrease in prepaid expenses	666	87
(Increase) in investment in Berwick-Bayou Vista	<u>(44,194)</u>	<u>(38,078)</u>
Net cash provided by (used in) operating activities	<u>\$ (339,946)</u>	<u>\$ 97,502</u>

Cash and cash equivalents are presented on the Comparative Statement of Net Assets as follows

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 437,979	\$ 513,767
Restricted Assets		
General obligation bond debt service cash	23,665	1,867
Customer meter deposits cash	<u>38,093</u>	<u>29,428</u>
Total cash and cash equivalents	<u>\$ 499,737</u>	<u>\$ 545,062</u>

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2**  
**STATE OF LOUISIANA**  
Notes to Financial Statements  
September 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

On October 27, 2000, the St Mary parish Council adopted Ordinance No 1474 which created "St Mary Parish Water and Sewer Commission No 2, State of Louisiana (the Commission) which is a political subdivision of the Parish of St Mary and the state of Louisiana, with authority to plan, finance, construct, acquire, improve, operate and maintain water, sewer and sewerage disposal improvements within its designated boundaries. The Commission was created, by combining the former Waterworks District No 2 and Sewerage District No 2.

The accounting and reporting practices of the Commission conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the significant accounting policies used in preparing the financial statements:

**A Reporting Entity**

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a Financial benefit or burden
- b Appointment of a voting majority
- c Imposition of will
- d Fiscally dependent

Based upon the above criteria, the Commission is a component unit and integral part of the St Mary parish Council (the primary government).

These financial statements include only the operations of the Commission.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B Basis of Accounting

The financial statements of the Commission are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Commission has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

### Enterprise Fund

An Enterprise Fund is used to account for the Commission's operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

### C Revenues

The following is a summary of the Commission's recognition policies for its major revenue sources:

Charges for water service come from metered sales to residential, industrial and municipal customers. Charges for sewerage service are based upon gallons of water used by customers. Revenues for water and sewer services are recognized in the month when the water is used by the customers.

*Ad valorem taxes (which is based upon homesteads in the Parish) are recorded in the year the taxes are assessed and collected.*

Investment earnings are recorded when earned.

Substantially all other revenues are recorded when they are earned by the Commission.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

### D Expenses

Expenses are recognized under the accrual basis of accounting where liabilities are recorded at the time expenses are incurred.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E Budgets and Budgetary Accounting

The St Mary Parish Water and Sewer Commission No 2 follows these procedures in establishing administrative budgetary accounting

- a An administrative budget is employed as a management planning and control device during the year for the Proprietary Fund The forecasted budget is prepared on a basis consistent with GAAP
- b These financial statements do not present budget and actual comparisons of the administrative budget because it is not a legally adopted budget

### F Cash and Cash Equivalents and Investments

#### Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include bank deposits and/or certificates of deposit with original maturates of less than three months

#### Investments

The Commission invests in bank certificates of deposit (CDs) and external investment pools The CDs (nonparticipating contracts) are recorded at cost, unless there is significant impairment of the credit standing of the issuer The pooled investments are recorded at amortized costs which approximate fair market value

### G Receivables

Accounts receivable consist of amounts due from customers for metered water and sewerage usage The financial statements do not contain an allowance for uncollectible accounts receivable which is a generally accepted accounting principle Uncollectible receivables are charged off at the time information becomes available which would indicate the uncollectibility of the particular receivable The failure to utilize the allowance method to account for bad debts is not material to the financial statements

### H Restricted Assets

Amounts received as utility deposits are held in separate accounts These funds are classified as restricted assets on the balance sheet because their use is limited

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the 2002 general obligation bond issue requirements, certain funds are accumulated in a sinking fund account that is restricted for the purpose of payment of the bond principal and interest

### I Joint Venture

The Commission and the Town of Berwick jointly constructed a treatment plant to provide a water supply to each entity. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the two communities, and they have appointed a board to operate and maintain the plant. The Berwick-Bayou Vista Joint Waterworks Commission was created to maintain, operate and administer the joint water treatment plant. The Commission has included its share of the joint venture cost and current operations in these financial statements using the equity method of accounting. See Note 9 for additional disclosure.

### J Inventory and Prepaid Items

Materials and supplies inventory is valued at cost. Cost is determined primarily by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

### K Property, Plant, and Equipment

Fixed assets including water plant, water and sewer lines, water towers, pump stations and all other water distribution and sewerage disposal assets are capitalized in the proprietary fund. Property, plant and equipment owned by the proprietary fund is recorded at cost or, if contributed property, at their market value at the time of contribution. Repairs and maintenance are recorded as expenses, renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment in the proprietary fund.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Water Plant	20-40 years
Water distribution system	10-33 years
Sewerage distribution system	10-45 years
Buildings	10-40 years
Furniture and equipment	3-25 years
Automobiles and trucks	6 years

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### L Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expense of the period in which paid. At September 30, 2012 and 2011 unrecorded liabilities for the above are immaterial.

### M Equity Classifications

Equity is classified as net assets and displayed in three components – invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the proceeds.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – The component of net asset consist of net assets that do not meet definition of "restricted" or "invested in capital assets, net of related debt."

### N Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Commission's boundaries. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana Law. Taxes are due and payable December 31 and are delinquent after that date with interest being charged. Lien date for all delinquent properties is April 1. The St. Mary Parish Sheriff bills and collects property taxes for the Commission using the assessed values determined by the tax assessor of St. Mary Parish. Commission property tax revenues are budgeted in the year billed.

The Commission authorized the following millages for the purpose of operating and maintaining the water and sewer system for the constituents of the Commission. The millage was dedicated as follows:

	<u>2012</u>	<u>2011</u>
Operations and maintenance	9.75	10.50
Debt service	<u>1.50</u>	<u>1.75</u>
	<u>11.25</u>	<u>12.25</u>

Based upon the taxable assessed value of the property within the District, each mil of assessment generated approximately \$80,000 and \$56,000 of tax revenues in 2012 and 2011 respectively.

## NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the Commission does not have a formal investment policy related to credit risk (including concentrations of credit). However, the Commission does follow state law as to limitations on types of deposits and investments as described below.

The Commission does not invest in any investments subject to foreign currency risk.

### Cash and cash equivalents

Under state law, the Commission may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.



### NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

At year end 2012 and 2011 the carrying amounts of the Commission's cash were \$499,737 and \$545,062 respectively and the bank balances were \$500,740 and \$650,771 respectively

In 2012 and 2011 the entire balances were covered by FDIC insurance

#### Investments

Under state law the Commission may invest in certain federal or federally guaranteed securities, certain bank time certificates of deposit, mutual or trust funds, and in the Louisiana Asset Management Pool (LAMP) LAMP is an external investment pool operated to allow local government to pool their investment funds LAMP is not registered with the SEC as an investment company LAMP is subject to regulatory oversight of the Louisiana State Treasurer and the LAMP board of directors Share values for the pool are valued at fair value based on quoted market rates determined on a weekly basis

The following is a summary of investments held by the Commission at September 30,

	<u>2012</u>		<u>2011</u>	
	Percentage of		Percentage of	
	Total		Total	
	<u>Amount</u>	<u>Investments</u>	<u>Amount</u>	<u>Investments</u>
LAMP (rated AAAM by Standard & Poors)	\$645,654	45%	\$869,616	53%
Money Market Accounts	237,097	16%	237,073	14%
Bank certificates of deposit				
Fully FDIC insured	456,757	3%	450,000	27%
Collateralized with securities held by financial institution's agent not in the Comm- ission's name	<u>100,780</u>	<u>7%</u>	<u>93,006</u>	<u>6%</u>
	<u>\$1,440,288</u>	<u>100%</u>	<u>\$1,649,695</u>	<u>100%</u>

As of September 30, 2012, all investments had maturity dates of one through five years except LAMP and the money market The money market accounts mature in less than one year LAMP determines its maturities using the weighted average maturity (WAM) method The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days The WAM for LAMP's total investments is 51 days as of September 30, 2012

#### NOTE 4 - DUE TO/FROM OTHER GOVERNMENTAL UNITS

The following is a detail of due from/to other governments at September 30,

	<u>2012</u>	<u>2011</u>
Due to other governments		
Due to Berwick-Bayou Vista Joint Waterworks (water purchases)	\$35,400	\$34,406
Due to Joint Sewer Commission Wards 5 & 8 (Sewerage treatment fees)	18,291	23,050
Due to St Mary Parish Council (Intergovernmental service-garbage/mosquito fees)	<u>74,667</u>	<u>72,862</u>
	<u>\$128,358</u>	<u>\$130,318</u>

#### NOTE 5 - PREPAID WATER TOWER MAINTENANCE

The Commission periodically enters into contracts for the renovation and maintenance of its water towers. The Commission has determined the renovations last approximately 8 years. During 2005, the Commission completed renovations under a contract for its 200,000 gallon storage tank at a cost of approximately \$97,000. During 2004, the Commission completed renovations under a contract for its 500,000 gallon storage tank at a cost of approximately \$250,000. These costs are amortized over 8 years. The unamortized portion of these costs was \$24,218 at 2011 and \$0 at 2012, as the costs are now fully amortized.

#### NOTE 6 - PENSION PLAN

All employees participate in the Federal Social Security System. The Commission is required to remit an amount to the Social Security Administration equal to the employee's contribution. The Commission does not guarantee any of the benefits granted by the Social Security System.

In addition, the Commission contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis.

The Commission's contributions to the above plans was approximately \$14,000 in each of the years ended September 30, 2012 and 2011.

## NOTE 7 - FIXED ASSETS

### CAPITAL ASSETS

Capital asset and depreciation activity for the years ended September 30, 2012 and 2011 is as follows

	<u>Balance</u> <u>9/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2012</u>
Capital assets not being depreciated							
Land, right of ways	\$ 51,709			\$ 51,709			\$ 51,709
Construction in process	39,416	\$ 305,501	9,441	335,476	\$ 189,784	\$ 495,286	29,974
Total capital assets not being depreciated	91,125	305,501	9,441	387,185	189,784	495,286	81,683
Other capital assets							
Buildings	\$ 48,533			\$ 48,533			\$ 48,533
Distribution system - sewerage	4,349,815	105,422		4,455,237	566,573	456	5,021,354
Distribution system - water	3,727,462	189,148		3,916,610	57,643	\$ 7,300	3,966,953
Water Plant	838,485			838,485			838,485
Furniture & Equipment	113,787			113,787	4,147	6,868	111,066
Vehicles	27,911	-	-	27,911	-	-	27,911
Total other capital assets at historical cost	9,105,993	294,570	-	9,400,563	628,363	14,624	10,014,302
Less accumulated depreciation for							
Buildings	\$ 45,082	574		\$ 45,656	273		\$ 45,929
Distribution system - sewerage	2,108,850	120,360		2,229,210	129,131	456	2,357,885
Distribution system - water	1,831,586	118,494		1,950,080	122,751	6,184	2,066,647
Water Plant	838,485			838,485			838,485
Furniture & Equipment	89,756	5,276		95,032	5,262	6,784	93,510
Vehicles	18,115	2,449	-	20,564	2,449	-	23,013
Total accumulated depreciation	4,931,874	247,153	-	5,179,027	259,866	13,424	5,425,469
Other capital assets, net	4,174,119	47,417	-	4,221,536	368,497	1,200	4,588,833
Total capital assets, net	\$ 4,265,244	\$ 352,918	\$ 9,441	\$ 4,608,721	\$ 558,281	\$ 496,486	\$ 4,670,516

Depreciation expense for the years ended September 30, 2012 and 2011 was approximately \$259,000 and \$247,000, respectively

## NOTE 8 - LONG TERM DEBT

The following is a summary of long-term debt activity

Balance at September 30, 2010	\$1,020,000
Repaid during 2012	<u>60,000</u>
Balance at September 30, 2011	960,000
Repaid during 2012	<u>285,000</u>
Balance at September 30, 2012	<u>\$ 675,000</u>

A detail of long-term debt is as follows

\$1,400,000 of General Obligation Bonds, Series 2002 were issued in 2002 for the purpose of constructing and acquiring improvements to the waterworks and sewer plant and systems. The bonds currently bear interest at rates ranging from 1 percent to 3.0 percent and are payable through the year 2020. The bonds are being retired from the operating revenues and the portion of ad valorem taxes dedicated to debt service \$675,000

Less current maturities	<u>( 70,000)</u>
Long-term debt	<u>\$ 605,000</u>

### Debt Maturity

Debt Service requirements at September 30, 2012, are as follows

Year Ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$70,000	\$13,748	\$83,748
2014	75,000	13,244	88,244
2015	80,000	12,075	92,075
2016	80,000	10,575	90,575
2017	85,000	8,818	93,818
2018-2020	<u>285,000</u>	<u>12,545</u>	<u>297,545</u>
Total	<u>\$675,000</u>	<u>\$71,005</u>	<u>\$746,005</u>

The Commission is subject to certain affirmative and negative covenants pursuant to its bond agreement. These covenants include but are not limited to

- 1 Establishment and funding of certain debt service funds
- 2 Preparation and independent audit of financial statements
- 3 Restrictions on sale of property securing payments

NOTE 8 - LONG TERM DEBT (continued)

During the year the District paid in advance \$220,000 of debt which would have been due in 2021 and 2022. In order to save the District future interest costs, the District also renegotiated the existing interest rate, on the remaining debt, which ranged from 5.0 percent to 6.0 percent down to rates ranging from 1 percent to 3.0 percent. The renegotiation of interest rates results in a reduction of future interest payments of approximately \$87,000. The economic gain (the difference in the present value of the new debt payments compared to the present value of the old debt payments) is approximately \$81,000.

NOTE 9 - RELATED PARTY - INVESTMENT IN BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

All of the water sold by the Commission is obtained from Berwick-Bayou Vista Joint Waterworks Commission (Joint Waterworks Commission). The Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for the Commission and Town of Berwick (Berwick). The water treatment plant was constructed and is owned by the Commission and Berwick. The Commission and Berwick appoint the members of the board for the Joint Waterworks Commission. The Commission's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets represents the Commission's equity in the joint venture. Separate financial statements for the Joint Waterworks Commission are available from the Commission or the Joint Waterworks Commission. The following is a summary of selected financial information of the Joint Waterworks Commission.

	Year Ended <u>9/30/12</u>	Year Ended <u>9/30/11</u>
Total assets	\$1,668,674	\$1,152,730
Total liabilities	95,696	71,506
Total net assets	1,572,978	1,081,224
Total revenues	1,122,135	709,583
Total expenditures	630,381	633,427
Change in net assets	491,754	76,156

**NOTE 9 - RELATED PARTY - INVESTMENT IN BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION (continued)**

The Commission purchased the following quantities and amounts of water from the Joint Waterworks Commission

	Year Ended 9/30/12	Year Ended 9/30/11
Gallons of water purchased	220,972,000	234,189,000
Cost of water purchases	\$266,463	\$274,086
Adjustment to cost of water purchases based on the Commission's pro rata share of Joint Waterworks Commission (increase) decrease in net assets related to operations		8,760
Net costs	<u>\$266,463</u>	<u>\$282,846</u>

**NOTE 10 - COMPENSATION OF BOARD MEMBERS**

Board Members received the following per diems for the years ended September 30, 2012 and 2011

	2012		2011	
	Meetings Attended	Amount	Meetings Attended	Amount
Herbert Adams, Secretary/Treasurer	9	\$2,357	9	\$2,296
Albert Hebert, Commissioner	12	2,357	12	2,296
Tony Hensgens, Commissioner	9	2,357	10	2,405
Erving Richard, Commissioner	3	1,105	8	2,296
Stan Robison, Vice President	11	2,357	12	2,296
Don Ryan, President	12	3,060	12	2,992
		<u>\$13,593</u>		<u>\$14,581</u>
Berwick-Bayou Vista Joint Waterworks Commission				
Erving Richard, Commissioner	3	\$ 150	10	\$ 720
Tony Hensgens, Commissioner	7	720	8	720
Albert Hebert	6	360		
		<u>\$1,230</u>		<u>\$1,440</u>

#### NOTE 11 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to limited torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years. See the insurance schedule included in the supplemental information section for risks covered by commercial insurance.

#### NOTE 12 – CONCENTRATIONS

The District received approximately forty-nine and forty percent of its revenues from ad valorem taxes in 2012 and 2011.

## OTHER SUPPLEMENTAL SCHEDULES



**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2  
STATE OF LOUISIANA**

Schedule of Gallons of Water Purchased and Sold  
and Number of Water Customers

For the year ended September 30, 2012 and 2011

(Unaudited)

	<u>9-30-12</u>	<u>9-30-11</u>
Gallons purchased for the period	220,972,000	234,189,000
Gallons sold for the period	148,407,310	157,797,340
Number of users at year end	1,914	1,904
Gallons not sold for the period	72,564,690	76,391,660
Cost per 1000 gallons purchased	\$1 21	\$1 17
Cost of gallons not sold	\$87,803	\$89,378
Percentage of gallons not sold	33%	33%

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2**  
**STATE OF LOUISIANA**

Water and Sewer Rates  
September 30, 2012  
(Unaudited)

The board of commissioners approved a water and sewer rate increase on April 14, 2008 effective May 1, 2008. The new rate is as follows:

Water	Sewer
\$6.00 flat fee (\$7.15 out of district)	\$6.00 flat fee (\$7.15 out of district)
\$2.00 (\$3.00 out of district) per 1,000 gallons of water used	\$2.00 (\$3.00 out of district) per 1,000 gallons of water used

For the period January 2007 to April 30, 2008, the water and sewer rates were as follows:

Water	Sewer
\$6.00 flat fee	\$6.00 flat fee
\$1.75 per 1,000 gallons of water used	\$1.75 per 1,000 gallons of water used

For the period October 1995 to December 31, 2006, the water and sewer rates were as follows:

Water	Sewer
First 3,000 gallons - \$6.00	\$7.00 flat fee
Over 3,000 gallons - \$1.90 per 1,000	\$1.15 per 1,000 gallons of water used

For the period October 1992 to September 30, 1995, the water and sewer rates were as follows:

Water	Sewer
First 3,000 gallons - \$4.75	\$6.00 flat fee
Over 3,000 gallons - \$1.17 per 100	\$1.00 per 1,000 gallons of water used

For period August 1988 to September 30, 1992, the water rates were as follows:

Water
First 3,000 gallons - \$4.00
Over 3,000 gallons - \$1.14 per 100

Prior to August, 1988 the water rates were as follows:

First 3,000 gallons - \$3.35  
Next 3,000 gallons - \$1.05 per 1,000  
Next 3,000 gallons - \$1.00 per 1,000  
Next 3,000 gallons - \$.95 per 1,000  
Next 3,000 gallons - \$.90 per 1,000  
Next 3,000 gallons - \$.85 per 1,000  
Next 3,000 gallons - \$.80 per 1,000  
Next 3,000 gallons - \$.70 per 1,000

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2  
STATE OF LOUISIANA**

Insurance  
September 30, 2012  
(Unaudited)

<u>Insurer</u>	<u>Amount of Policy</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
La Citizens Property Insurance Company	\$100,000	Building (600 Saturn Rd)	4/23/13
	\$25,000	Office building and contents (1333 Belleview)	
	\$48,000	Warehouse and contents	4/23/13
Bridgefield Casualty Insurance Company	\$1,000,000	Worker's Compensation	4/23/13
St Paul Insurance Company	\$2,000,000	Comprehensive general liability	4/23/13
	\$1,000,000	Auto liability	4/23/13
	\$500,000	Crime coverage	4/23/13
United National Insurance Company	\$1,000,000	Public Management Liability	4/23/13

## INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
St. Mary Parish  
Water and Sewer Commission No. 2  
Bayou Vista, Louisiana

We have audited the accompanying financial statements of the business-type activities and the major fund of St. Mary Parish Water and Sewer Commission No. 2 (the Commission) as of and for the year ended September 30, 2012, which collectively comprise the Commission's basic financial statement and have issued our report thereon dated March 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

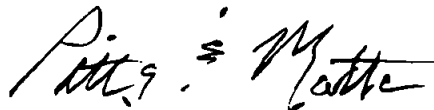
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1, to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the use of the management of the Commission, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

March 7, 2013

**St. Mary Parish Water and Sewer Commission No. 2**  
**State of Louisiana**

Schedule of Findings, Questioned Costs and Federal Awards  
For the Year Ended September 30, 2012

**A SUMMARY OF AUDIT RESULTS**

- 1 The auditors' report expresses an unqualified opinion on the financial statements of the St. Mary Parish Water and Sewer Commission No. 2

- 2 Report on Internal Control and Compliance Material to the Financial Statements

Internal Control over Financial Reporting

There was one significant deficiency in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance and Other Matters

There were no instances of noncompliance nor other matters noted during the audit of the financial statements that are required to be reported.

- 3 Federal Awards

This section is not applicable for the year ended September 30, 2012.

## B FINDINGS - FINANCIAL STATEMENT AUDIT

### Material Weaknesses

#### ITEM 2012-1 - SEGREGATION OF DUTIES

##### Auditors' Comments

Condition While performing audit tests and inquiring about internal control, we discovered that there is little segregation of duties in the area of billings and collections

Criteria Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected

Effect Lack of segregation of duties results in a material weakness in internal accounting controls

Cause The Commission has limited personnel

Management's Comments We will constantly monitor the activity of the employees, in an effort to minimize any errors or omissions

## C FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2012



SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION  
PREPARED BY ST MARY PARISH  
WATER AND SEWER COMMISSION NO 2

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weakness

Item 2011-1 Segregation of Duties

Condition While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the Commission's accounting function

Corrective Action The Board will constantly monitor the activity of the employees, in an effort to minimize any errors or omissions

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable to prior year

St Mary Parish  
WATER & SEWER COMMISSION NO 2  
P.O. BOX 635  
PATTERSON, LA 70392-0635  
985-395-2747

March 7, 2013

Mr. Daryl Purpera, CPA, CFE  
Legislative Auditor, State of Louisiana  
P.O. Box 94397  
Baton Rouge, La. 70804-9397

Dear Mr. Purpera:

The St. Mary Parish Water & Sewer Commission No. 2 respectfully submits the following corrective action plan for our year ended September 30, 2012:

Person Responsible: Stan Robison, Vice President  
St. Mary Parish Water & Sewer Commission No. 2

Time for completion: September, 2013

Item 2012-1 Segregation of Duties

Finding

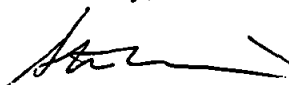
Our auditors noted that there is little segregation of duties in the area of billings and collections

Corrective Action

We will constantly monitor the activity of the employees in an effort to minimize any errors or omissions

If you have any questions concerning this corrective action plan, please contact me

Sincerely,



Stan Robison, Vice President  
St. Mary Parish